Overview
The international visitor currently represents a small but important travel segment in Utah's tourism economy, comprising nearly 3.5% of total Utah visitors. International travelers to Utah account for over $510 per person per trip, compared to just $336 per person per trip for a domestic visitor. The international traveler typically stays longer and spends more than their domestic counterpart. Given the current low value of the dollar, the United States is an attractive destination for overseas travelers, although upcoming visa restrictions may make it more difficult for those visitors to come here.

Global Travel
Global travel has increased at a remarkable pace throughout the last fifty years, growing from 25 million international arrivals in 1950 to a record 698 million in 2000. At the turn of the century, tourism ranked among the top five export categories for 83% of all countries. Increasing globalization, growth in many economies, and what has been termed the democratization of information has mobilized travelers around the globe and motivated them to look for new and unique experiences. Distance has become less of a barrier as increased air capacity and flights to and from a greater number of cities have opened up new markets and allowed more people to travel beyond their national borders. Despite the obstacles encountered in recent years, notably the September 11th tragedy, a global economic recession, the war on terrorism, SARS, and the war in Iraq, the outlook for international travel remains positive. During 2003, the World Tourism Organization (WTO) estimates international tourism arrivals declined 1.2% to 694 million. The WTO expects a moderate recovery in 2004. Improving economies, stabilization of various conflicts and pent-up demand should stimulate international travel. Trends indicate a dynamic environment with new destinations consistently increasing the diversity of products and services. Interest in cultural travel, sports and adventure tourism, rural tourism, nature-based travel, and cruises continues to increase, highlighting future growth segments.

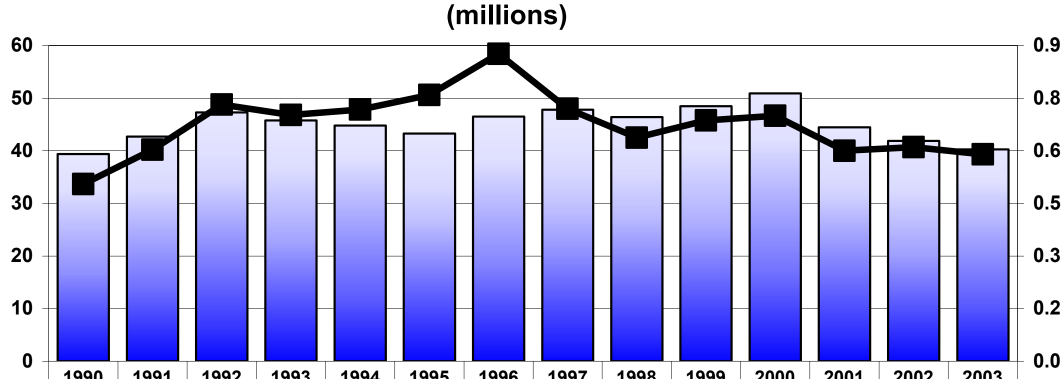
International Travel to the U.S.
For 2002, it was estimated that the number of international travelers to the U.S. decreased by 7% to 41.9 million. Traveler spending by international visitors accounted for $83.6 billion in the U.S. economy. Despite the dismal performance of 2002, it is believed that conditions deteriorated further in 2003. Preliminary results for the year indicate total arrivals to the U.S. likely decreased 4% to 40.3 million. Additionally, traveler spending by international visitors in 2003 declined to $80.7 billion. A sluggish global economy, SARS, the Iraqi war, and airline capacity constraints in many of the top markets caused eight months of decline from February to September of 2003.

In 2003, travel to the U.S. declined from all world regions except Western Europe. Arrivals from that region totaled 8.3 million for the year, up nearly one percent. The U.K. was the key driver from that part of the world. Given an improving world economy and the low value of the American dollar, there is optimism that international travel to the U.S. will increase from 2004 through 2007. Canada, Mexico, the United Kingdom, Japan and Germany were the top U.S. markets in 2003, each recording more than one million visitors to the U.S. Predictably, most international visitation occurred at major urban centers or "gateways" within the U.S. – such as New York, Miami, Los Angeles, Honolulu, Chicago, San Francisco, Newark, Atlanta, Orlando, Boston, Detroit, and Houston. However, once international visitors arrive at the gateway city, many travel to other destinations. Thus many non-gateway destinations still attract a significant number of international visitors. One of the changes in travel behavior as a result of September 11th has been a shift towards "undiscovered" destinations within the U.S., which are seen as attractive alternatives to traditional urban centers because they are perceived as safer destinations.

The average international visitor to the U.S. in 2000 stayed 16 nights and visited just 1.5 states. Los Angeles, San Francisco and Las Vegas are the major Western gateways. Other large Western cities attract smaller numbers of travelers. Well-known national parks such as Grand Canyon and Yosemite are also major attractions. Other parks, such as Yellowstone, Bryce Canyon and Zion are popular secondary destinations.

Source: TI/ITA, U.S. Department of Commerce

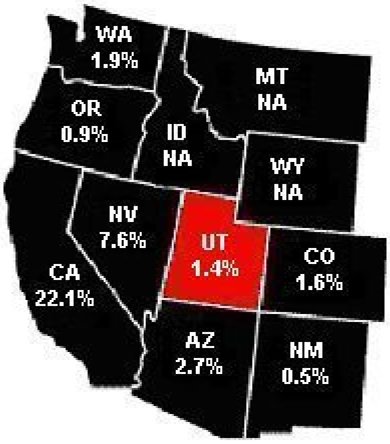
International Arrivals to Utah and the U.S.
(millions)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
U.S.	39.4	42.7	47.3	45.8	44.8	43.3	46.5	47.8	46.4	48.5	50.9	44.5	41.9	40.3
Utah	0.51	0.60	0.73	0.70	0.72	0.76	0.88	0.72	0.64	0.69	0.70	0.60	0.61	0.59

Note that the 2003 numbers are preliminary estimates.

U.S. Overseas Arrivals – Western State Market Share 2003



Gateway Cities

Los Angeles	11.8%
San Francisco	9.4%
Las Vegas	7.2%

Other Destinations

San Diego	2.4%
San Jose	1.8%
Seattle	1.7%
Anaheim	1.6%
Phoenix	1.1%
Denver	1.0%
Portland	0.7%
Salt Lake City	0.5%

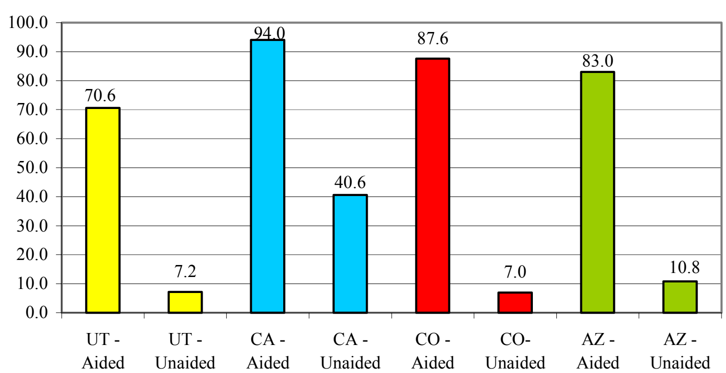
Top Ten International Markets

1	Canada	Canada
2	Mexico	Germany
3	U.K.	U.K.
4	Japan	France
5	Germany	Japan
6	France	Italy
7	South Korea	Switzerland
8	Italy	Netherlands
9	Australia	Brazil
10	Netherlands	Australia

SOURCE: TI/ITA, U.S. Dept. of Commerce

Visitation to a destination is usually positively correlated to awareness. A destination with a strong identity and a well-known image is more likely to receive attention from international travelers. Research conducted prior to the 2002 Winter Olympic Games indicated a very low awareness level of Utah in key international markets. However, research conducted by the David Eccles School of Business at the University of Utah demonstrated that awareness Europeans have of Salt Lake City and the state of Utah increased dramatically after the Olympics. The knowledge of Utah's mountains and deserts also increased. Nevertheless, even with aided recall, the awareness of California, Arizona, and Colorado is significantly higher than the awareness of Utah. Notwithstanding, it is interesting to note the difference that aided recall makes in each state's awareness compared to unaided recall (see the chart below). Clearly, aided recall is crucial to building international awareness of Utah as a destination. Currently, the Utah Division of Travel Development is allocated less money for advertising than it's regional competitors (like Arizona and Colorado). Utah can reference the nearest well-known gateway city in advertising and promotion or provide a user-friendly choice of itineraries and/or packages via the Internet or through other collateral materials. Nevertheless, other states spend more money on advertising than Utah, causing many to fear that Utah will continue to lose market its nearby competitors.

Average Awareness of Select Western States



SOURCE: *Utah Image and Awareness: The Post-Olympics European Study, 2002*, David Eccles School of Business, University of Utah

International Travel to Utah

International travel to Utah is expected to grow over the next several years. However, international travelers are generally sensitive to the economic conditions in their home country as well as external shocks that effect travel demand. For example, 9/11, the weak world economy, SARS, terrorism, and the war in Iraq have all significantly impacted international travel to the U.S., including Utah. Indeed, after such tumultuous events, early estimates indicate that international visitor arrivals to Utah in 2003 fell to 590,000, their lowest level in the last 13 years. A significant decrease in visitors from all major markets to the U.S. from approximately February through September is largely responsible for the decline. Note that during that period, the war with Iraq was heavily underway, SARS was in the news, and airline capacity constraints occurred, causing international travel to decrease. Despite the poor performance of the sector in 2003, improving economic circumstances, improved exchanged rates (from the perspective of many foreign travelers to the U.S.), aggressive pricing, and the increased awareness and attention to the state from tour operators (resulting from the Olympics) should stimulate growth. *However, any further shocks to traveler confidence due to deteriorating economies, escalating terrorist threats or actual events could significantly erode demand recovery.*

The following market summary reflects the strengths and weaknesses of Utah's top international markets. The markets are organized into four tiers indicative of their prioritization based on the following evaluative criteria:

- Economy and Growth Prospects
- Exchange Rate
- Language Resources
- Technology Aptitude
- Seasonal and Segment Preferences
- Historic U.S. & Utah Travel Patterns
- Exogenous Social and Political Factors
- Olympic Interest
- Distribution Infrastructure
- Potential for Leveraged Partnerships

INTERNATIONAL MARKET OVERVIEW

COUNTRY	MARKET STRENGTHS	MARKET WEAKNESSES
TIER ONE		
Canada	- Top international market - Renewed interest in U.S. destinations - Strong Olympic interest - Year-round market - Direct flights into SLC and Las Vegas - Favorable economic conditions - No language barriers	- Exchange rate
United Kingdom	- Strong economy - Year-round market - Largest overseas market to the U.S. - No language barriers - Direct flights to Las Vegas - Outdoor locations and activities becoming more popular	- Competition for market share is intense - City most visited is Orlando, followed by New York
Germany (including Austria & Switzerland)	- Historically strong market for Utah - Strong interest in outdoor recreation and nature-based travel - Primarily FIT travelers - Strong Olympic interest - Large potential market - Direct flights to Las Vegas through Frankfurt - Favorable exchange rate	- Sluggish economy - High unemployment - Terrorist incidents may prompt shift to European destinations
Japan	- Predisposed to travel to western states - Large population base - High value traveler - U.S. perceived as a value destination - Direct flights to Las Vegas - High consumer savings rate	- 3 economic recessions in past decade - High sensitivity to safety perceptions - Language can be a barrier
Mexico	- Huge potential market - Direct air service to SLC and Las Vegas - Growing Hispanic population among Utah residents - Visiting National Parks and wilderness areas are some of the main reasons they visit the U.S.	- Relatively poor population - U.S. visitation concentrated on CA, TX and FL - Stiff visa requirements cause some Mexicans to go elsewhere
TIER TWO		
France	- Strengthening market to secondary U.S. destinations - Strong FIT travel - Growing interest in outdoor recreation and nature-based tourism - Strong Olympic Interest - Favorable Exchange rate	- Experiencing a sharp economic downturn - Less than 30% of population takes an outbound trip each year (far below most other European countries) - Language can be a barrier - Political tension with the U.S.
Benelux (Netherlands & Belgium)	- Economy poised for modest recovery - Multi-lingual travelers - High comfort level with technology - Primarily warm weather travel, but potential for year round visitors - Strong growth throughout 1990s - Strong Olympic interest	- Relatively smaller market - Terrorist incidents may prompt shift to European destinations

COUNTRY	MARKET STRENGTHS	MARKET WEAKNESSES
TIER TWO (continued)		
Italy	- FIT travel with high interest in American Southwest - High Olympic interest - Strong interest in outdoor recreation including skiing - Some economic instability - Favorable Exchange rate - Many Italians have 5-6 weeks of vacation per year – ample time to travel	- Moving away from extended vacations to shorter breaks - Terrorist incidents may prompt shift to short-haul destinations in Europe and North Africa
South Korea	- Fast growing market - Predisposed to west coast destinations - High Olympic interest - High value traveler - Popularity of visiting natural and scenic sites is on the rise	- Language can be a barrier - Sensitive to economic fluctuations - Travel is generally to major cities with strong VFR segment - Exchange rate
TIER THREE		
Scandinavia (mostly Sweden & Denmark)	- Frequent international travelers - High comfort with technology - Very strong Olympic interest - Primarily summer travelers - High incomes and 5-6 weeks of paid vacation time	- Little U.S. visitation beyond East and West Coasts - Exchange rate - Relatively small markets - Diverging interests among nations - No previous experience in markets - Less frequent air service to the U.S., mostly through Stockholm and Copenhagen
Spain	- Large market with growth potential as long-haul travel becomes affordable - FIT travelers with interest in American Southwest - Potential for year-round market - Strong Olympic interest - Exchange rate	- Incomes and employment levels below European average - No air service west of Mississippi - No previous experience in the market
Australia	- Strong economic growth - Year round market - High comfort with technology - FIT travel common with preference for West coast destinations - No language barriers	- Exchange rate - European destinations are preferred for long-haul travel
Czech Republic	- Growing economy - High Olympic interest - Strong use of technology - Demonstrated interest in Utah	- Population relatively poor compared to other Europeans - Language can be a barrier - Exchange rate
China (including Hong Kong & Taiwan)	- Huge potential market - High value traveler among consumers who can afford it - Fascination with American history and culture - Direct service to Las Vegas via Hong Kong	- Relatively poor population - Bureaucratic system makes international travel difficult - Primary destinations are urban centers - Sensitive to safety concerns